



# INVESTING IN OUR SUSTAINABLE FUTURE

SUSTAINABILITY REPORT 2021



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## WHY DO WE EMBRACE SUSTAINABILITY AT VANTAGE INFRASTRUCTURE?

1

Sustainable investing enables us to achieve our clients' strategic objectives

2

We believe systematic and effective risk management can contribute to both resilience and long-term value creation for all stakeholders

3

Given the essential role infrastructure plays in the community, robust ESG processes are crucial to fulfil its social contract



# VANTAGE INFRASTRUCTURE AT A GLANCE

Vantage Infrastructure is an independent infrastructure specialist committed to delivering responsible investment solutions as a long-term partner to our clients.

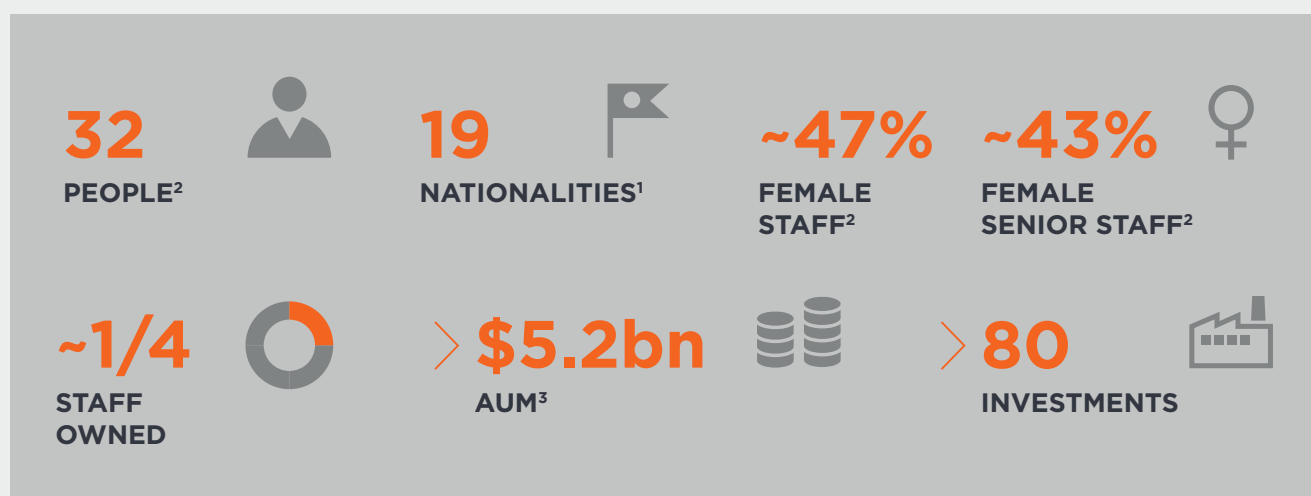
We believe in responsible investing and embed ESG considerations in our investment processes as a driver of value and risk.

Vantage Infrastructure manages over 80 debt and equity investments on behalf of more than 10 mandates and funds in the energy, environment, transportation, data infrastructure and social infrastructure sectors across Europe, North America and Australia.

## WHO WE ARE

INDEPENDENT	SPECIALIST	SUSTAINABLE	LONG-TERM
			
<p>Backed by experienced long-term asset management specialist</p> <p>Partner-led with material staff ownership</p> <p>Private infrastructure debt and equity investments only</p>	<p>25+ year legacy of infrastructure investing</p> <p>15+ years of core/core+ investment experience</p> <p>Comprehensive client servicing tailored to investors' needs</p>	<p>ESG embedded throughout investment lifecycle</p> <p>Focus on sustainable value/risk management</p> <p>Best-in-class ESG practices and investor engagement</p>	<p>Long-term partnerships with investors</p> <p>Long-term track record in infrastructure investing</p> <p>Long-term holding period of infrastructure assets</p>

## KEY CORPORATE HIGHLIGHTS<sup>1</sup>



Notes: (1) All figures as at 31-Dec-2021; (2) Full-time employees; (3) AUM includes undrawn commitments and has been converted at a rate of £1= US\$1.35.





# HIGHEST PRI AND GRESB SCORES AWARDED

## TOP SCORES OF A+ AWARDED BY UN PRI



As part of its latest PRI assessment (2020), Vantage Infrastructure achieved the top score of A+ for both its approach to ESG Strategy and Governance and its ESG Integration across Infrastructure Equity and ESG Integration across Fixed Income. Results from the 2021 PRI assessment are expected to be released in H1 2022.

These results confirm Vantage Infrastructure's ESG approaches and processes to be above the median scored by its peers in all categories and are a testament of its commitment to deliver innovative ESG solutions to its investors.

### 2020 PRI RESULTS



KEY: → ↑ Change from 2019 results

## CONTINUED IMPROVEMENT IN GRESB SCORES

Sector Leader



**Phoenix Natural Gas**  
Gas Distribution Network



Sector Leader



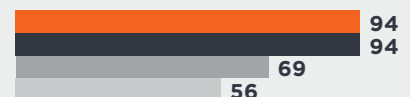
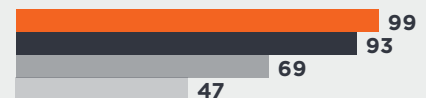
**Porterbrook**  
Rail Companies, Transport Overall

Sector Leader



**Redexis Gas**  
Diversified

GRESB score (out of 100)



2021 2020 2019 2018

In the 2021 GRESB Infrastructure assessment, Vantage Infrastructure maintained its 5-star rating, improved its score year-on-year, while ranking 5th in its peer group. Those achievements reward the firm's continued commitment to sustainability and ESG.

All portfolio companies managed by Vantage Infrastructure continued to improve their GRESB results, with all scores being above 90 out of 100. In addition, all companies maintained their 5-Star rating. Those excellent results are a testament to the continued and joint commitment of both Vantage Infrastructure and the portfolio companies' management teams to develop their ESG practices further.

As part of those excellent results, three portfolio companies were also named Sector Leaders: Phoenix Natural Gas in the 'Gas Distribution Network' category, Porterbrook in both 'Rail Companies' and 'Transport Overall' and Redexis Gas in 'Diversified'.

Source: Companies, including public information for Porterbrook (press release from 18-Oct-2021, 2020 Sustainability Report) and Redexis (press release from 15-Oct-2021).



# MESSAGE FROM OUR ESG LEADER

In 2020, we opened our 'ESG year in review' by unavoidably referencing the coronavirus pandemic, which had swept the globe and tested physical and mental well-being, societal paradigms and worldwide economies. 2021 continued to face the effects of this outbreak, albeit with green shoots of hope from rising immunisation levels and the intermittent relaxation of social restrictions. Alongside this reminder of the fragility of human life, COVID-19 also increased governmental focus: on climate action to boost the economic recovery, and on private investments in sustainability against a backdrop of constrained public finances.

Whilst the COP26 climate summit was regarded as a mix of successes and missed opportunities, the UN's sixth Intergovernmental Panel on Climate Change report reminded us that some environmental losses are already irreversible and warned, once again, that any further delay in climate action could prevent us from securing a liveable future for all. It is widely acknowledged that our industry can play a vital role in the planet's march to net-zero and, at Vantage Infrastructure, we remain committed to driving real climate impacts in our portfolios.



**Valeria Rosati**, Senior Partner

In the area of climate risk management and strategic decision-making, Vantage Infrastructure continued to progress its work on embedding the TCFD<sup>1</sup> recommendations throughout 2021. Our equity portfolio companies tracked well against materiality-driven prioritisation schedules whilst engagement with our debt companies focused on improved transparency for TCFD risk analysis. Quantitative scenario analyses, to complete in 2022, represent an important milestone in our active asset management programme for the coming year. This will also lay the foundations for enhanced investor disclosures.

In April 2021, Vantage Infrastructure became a member of the IIGCC<sup>2</sup> and joined the iCI<sup>3</sup> in early 2022. Collaboration with these two pre-eminent investor groups enables us to implement our ESG strategy in line with our 360° ESG framework (page 10), gain access to invaluable tools and shared resources and work with our community to address the climate change challenge.

We have encouraged our debt and equity portfolio companies to strengthen the quality of their environmental data inventory and, by leveraging that, drive emission reduction initiatives (pages 5 and 7). Most of our equity portfolio companies already have ESG KPIs included in their management compensation schemes and sustainability-linked loans. A high-priority initiative for 2022 will be enhancing these efforts by looking carefully at the merits of assurances and approved net-zero commitment pathways.

From a value-creation viewpoint, the disposal of one of our managed investments and the acquisition of a new sustainable one provided opportunities to embed ESG at both ends of the investment life cycle (page 11). The acquisition of Agronergy enabled us to apply our in-house EU Taxonomy tool during both the due diligence and asset management phases to drive an intentional, climate-focused value creation strategy.

Vantage Infrastructure remains highly engaged on regulatory developments and growing ESG disclosures. We have completed the Level 1 Sustainable Finance Disclosure Regulation requirements, and are preparing for future voluntary disclosures by putting in place key enablers, such as data access, collection and reporting processes.

In our 2020 report, we mentioned the external review that ERM<sup>4</sup> had conducted on our ESG strategic framework. Whilst the report found our framework to be already aligned with good practices, some suggestions were put forward and, in line with our continuous ESG improvement ethos, the top five were progressed well during 2021. We also completed our annual thematic project, with governance and cybersecurity risk management under the spotlight. 2022 will remain focused on completing TCFD integration. Formalising our ESG expectations for contractors is ongoing and our 2022 thematic 'deeper dive' project across the equity portfolio will be focused on human rights and supply chain ESG risk management.

**Valeria Rosati**, Senior Partner

Notes: (1) TCFD stands for Task Force on Climate-related Financial Disclosures; (2) IIGCC stands for Institutional Investors Group on Climate Change; (3) iCI stands for Initiative Climat International; (4) ERM stands for Environmental Resources Management.





# VANTAGE INFRASTRUCTURE'S ESG JOURNEY

## MATCHING ESG AMBITIONS WITH RESULTS

Vantage Infrastructure has long focused on ESG integration. Following the ownership change in 2018, ESG was deliberately elevated to one of Vantage Infrastructure's priorities. Since then, we have enhanced our ESG strategy, innovated our client reporting, promoted ESG across our portfolio and through thought leadership and embedded a sustainability culture throughout the business. Fuelled by our ambition, this programme of actions has resulted in substantial progress and industry award recognition.

While our journey continues, we are well positioned to march successfully with our clients on the path of further ESG developments and improvements.



### SUSTAINABILITY OBJECTIVES

- Continue to optimise ESG good practices at portfolio company level and knowledge sharing
- Fully comply with TCFD recommendations
- Roll out of climate strategy
- Report under the EU Taxonomy
- Continue to invest in new sustainable infrastructure assets
- Produce annual ESG reports for debt clients

- **2017/2018:** Spin-off from the international business of Hastings Funds Management
- **February:** PRI signatory and GRESB member
- Designed proprietary debt ESG assessment methodology
- **April:** First ESG thought leadership article published
- **December:** Appointed to GRESB EMEA Industry benchmark committee

- **February:** New ESG policy approved by Vantage Infrastructure Board
- **March:** ESG KPIs introduced for all investment staff
- **July:** ESG thought leadership series, Vantage Point, launched
- **July:** Top scores of A+ and A received for PRI's first submission

- **January:** Inaugural sustainability report published
- **February:** TCFD supporter
- **May:** ESG Framework reviewed by ERM
- **July:** Received top scores of A+ from PRI for all three categories
- **September:** In-house EU Taxonomy methodology reviewed by ERM
- **November:** GRESB 5-Star rating maintained for all equity investments

- **March:** Initial SFDR<sup>1</sup> disclosures published on the website
- **April:** IIGCC member
- **October:** All portfolio companies maintained 5-Star rating in the GRESB assessment, with three of them being named Sector Leaders in their category

Image: Veritas S.p.a.

Note: (1) SFDR stands for Sustainable Finance Disclosure Regulation.



# REPORTING INVESTMENT IMPACTS

## EQUITY PORTFOLIO – KEY HIGHLIGHTS

<b>244</b> Ktonnes  <b>CO<sub>2</sub> ABATED<sup>1</sup></b> equivalent to <b>+118,000</b> cars off the road	<b>1,260</b> Ktonnes  <b>CO<sub>2</sub> AVOIDED<sup>2</sup></b> equivalent to <b>+600,000</b> cars off the road	<b>37</b> Ktonnes  <b>CO<sub>2</sub> SCOPE 1 &amp; 2 EMITTED</b>
<b>269</b> GWh  <b>CLEAN ENERGY GENERATED<sup>3</sup></b> equivalent to the annual energy needs of <b>+90,000</b> households	<b>57</b> Ktonnes  <b>MATERIALS RECYCLED<sup>4</sup></b> equivalent to the annual waste produced by <b>60,000</b> households	<b>82</b> bn litres  <b>CLEAN WATER CONSUMED<sup>5</sup></b> equivalent to the annual drinking water needs of <b>1.1m</b> households
<b>100%</b>  <b>HEALTH &amp; SAFETY and RISK<sup>6</sup></b> management systems in place	<b>1,640</b>  <b>PEOPLE EMPLOYED<sup>8</sup></b>	<b>US\$360</b> m  <b>LOW CARBON &amp; RESILIENT</b> investments <sup>10</sup>
<b>0</b>  <b>MAJOR INCIDENTS<sup>7</sup></b>	<b>1:3</b>  <b>FEMALE:MALE EMPLOYEE</b> <b>RATIO<sup>9</sup></b>	<b>US\$430</b> m  <b>SUSTAINABILITY-LINKED</b> <b>LOANS<sup>11</sup></b>
<b>5</b> ★  <b>FOR VANTAGE PORTFOLIO</b> <b>AND ALL INVESTMENTS<sup>12</sup></b>	<b>5th</b>  <b>GRESB RANKING - GLOBALLY</b> <b>DIVERSIFIED PEER GROUP</b>	<b>A+</b>  <b>ESG INTEGRATION<sup>13</sup></b>

Image: South East Water, Arlington Reservoir.

Notes: All figures are rounded, as of the latest available full financial year reported and pro-rated for ownership stakes of respective investments; (1) Companies' estimates based on c.909 tonnes of CO<sub>2</sub> emissions displaced per GWh of electricity supplied in the UK (source: Digest of UK Energy Statistics 2019) for wind farms for CO<sub>2</sub> abated; (2) Companies' estimates based on the premise that, if natural gas was not used, more polluting fossil fuels would be used in the same proportion in which they are currently consumed, for natural gas networks for CO<sub>2</sub> avoided; (3) Clean energy generated by Vantage Investments Ltd in 2020; based on typical UK domestic consumption values of 2,900KWh per annum (source: Ofgem); (4) Sum of recycling waste for all investments; based on average annual waste produced per UK household; (5) Clean water consumed by South East Water's customers in Financial Year ending Mar-21; (6) Health & Safety and risk management systems supported by certifications including OHSAS 18001, ISO45001, ISO14001, ISO9001 or sector specific certifications; (7) Fatalities; (8) Employees and contractors working for Vantage Infrastructure managed investments; (9) Female employees working for Vantage Infrastructure managed investments; (10) Includes the NAV of portfolio companies and capex invested into low carbon initiatives and resilience to climate change, using £/US\$ and €/US\$ exchange rates of 1.37 and 1.22 as of 31-Dec-2020; (11) Amounts outstanding using an AU\$/US\$ and US\$/£ exchange rates of 0.73 and 0.74 as of 31-Dec-2021; (12) GRESB scores and benchmarks the ESG management and performance of infrastructure fund managers and portfolio companies; 5 Stars correspond to the highest GRESB award; (13) Results of 2020 PRI assessment, as 2021 results have not yet been released (expected in H1 2022).





# SUSTAINABLE DEVELOPMENT GOALS

## EQUITY PORTFOLIO – CONTRIBUTION<sup>1</sup>

<b>6</b> CLEAN WATER AND SANITATION 	<ul style="list-style-type: none"><li>• Providing access to safe, high quality water (water treatment, measurement and testing, catchment management) to local communities including vulnerable customers in the South East of England</li><li>• Supporting resilience of water resources through continued investment in resource planning, water-use efficiency, network capacity building</li></ul>	<b>11</b> SUSTAINABLE CITIES AND COMMUNITIES 	<ul style="list-style-type: none"><li>• Actively managing water resources and promoting efficient and sustainable water use to a growing household base</li><li>• Developing sustainable transportation solutions (hydrogen-retrofitted trains) to reduce environmental impact and improve accessibility</li></ul>
<b>7</b> AFFORDABLE AND CLEAN ENERGY 	<ul style="list-style-type: none"><li>• Contributing to the decarbonisation of the UK energy grid by generating renewable energy through onshore wind farms in England and Wales</li><li>• Providing a less polluting source of heating by offering natural gas to customers which switch away from coal in Northern Ireland</li></ul>	<b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION 	<ul style="list-style-type: none"><li>• Promoting active and safe waste management, especially for hazardous waste, while increasing recycling and appropriate disposal</li><li>• Supporting actions to prevent/reduce waste generation</li></ul>
<b>8</b> DECENT WORK AND ECONOMIC GROWTH 	<ul style="list-style-type: none"><li>• Supporting job creation and innovation</li><li>• Promoting high employment standards for all portfolio companies' staff and supply chain labour through diligent screening and selection processes and policies adoption and implementation (modern slavery, equal opportunities, diversity &amp; inclusion and well-being)</li></ul>	<b>13</b> CLIMATE ACTION 	<ul style="list-style-type: none"><li>• Including climate actions as KPIs in management incentive plans</li><li>• Measuring carbon footprint and setting carbon reduction targets</li><li>• Assessing, monitoring and integrating climate risks in portfolio companies' strategies/business planning</li><li>• Progressing TCFD adoption across the portfolio</li></ul>
<b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE 	<ul style="list-style-type: none"><li>• Building, improving and maintaining reliable, sustainable and resilient infrastructure to supply continuous, affordable, essential services through long-term investment approach</li><li>• Investing and adopting the right organisational structure and processes to ensure services continuity</li></ul>	<b>15</b> LIFE ON LAND 	<ul style="list-style-type: none"><li>• Preserving and improving wildlife and biodiversity through targeted initiatives, including reforestation, conservation (wart-biter bush cricket), and habitat enhancement/restoration (peatlands, bird, seasonal bats, river basin)</li></ul>



Image: South East Water, Arlington Reservoir.

Note: (1) Sustainable Development Goals contributed by Vantage Infrastructure's equity managed investments.





# REPORTING INVESTMENT IMPACTS

## DEBT PORTFOLIO – KEY HIGHLIGHTS

<b>760</b> Ktonnes  <b>CO<sub>2</sub> ABATED<sup>1</sup></b> equivalent to <b>+375,000</b> cars off the road	<b>290</b> Ktonnes  <b>ATTRIBUTED CO<sub>2</sub></b> <b>SCOPE 1 &amp; 2 emissions<sup>2</sup></b> per US\$m invested	<b>100%</b>  <b>HEALTH &amp; SAFETY and RISK</b> management systems in place with <b>0</b> major incidents <sup>3</sup>
<b>405</b> Ktonnes  <b>WASTE DIVERTED FROM</b> <b>landfill<sup>4</sup></b> equivalent to the total waste produced annually by <b>+425,000</b> households	<b>24</b> Ktonnes  <b>MATERIALS RECYCLED<sup>4</sup></b> equivalent to the annual waste produced by <b>26,000</b> households	<b>1,045</b> GWh  <b>CLEAN ENERGY</b> <b>GENERATED</b> equivalent to the annual energy needs of <b>+195,000</b> households <sup>5</sup>
<b>32</b>  <b>SCHOOLS</b> providing places for <b>3,260</b> pupils	<b>2</b>  <b>HOSPITALS</b> providing <b>81</b> patient beds	<b>440</b>  <b>SHELTERED HOUSING</b> units
<b>64,000</b>  <b>CUSTOMERS</b> supplied with <b>DISTRICT HEATING</b> OR <b>COOLING</b>	<b>21,000</b>  <b>HOMES</b> with <b>SOLAR ROOFTOPS</b>	<b>1,085,000</b>  <b>HOUSEHOLDS</b> supplied with <b>CLEAN WATER</b>
<b>627</b>  <b>WIRELESS INFRASTRUCTURE</b> facilities serving <b>276m</b> visitors each year	<b>175,000</b>  <b>FIBRE CUSTOMERS</b> serviced by <b>395,000km</b> fibre cable	<b>A+</b>  <b>ESG INTEGRATION<sup>6</sup></b>

Image: Beatrice Offshore Wind Farm

Notes: All figures are rounded, as of the latest available full financial year reported and pro-rated for the percentage of Vantage Infrastructure debt managed investments within respective projects' total debt issuance; (1) Company and Vantage Infrastructure estimates of CO<sub>2</sub> emissions from renewable energy projects only; tonnes of CO<sub>2</sub> abated calculated using the International Renewable Energy Agency avoided emissions calculator; (2) Attributed emissions calculated using Company and Vantage Infrastructure estimates of CO<sub>2</sub> emissions pro-rated for Vantage Infrastructure's share of investment per asset using the Partnership for Carbon Accounting Financials methodology; (3) Fatalities; (4) Sum of waste diverted from landfill and recycled waste related to waste volumes processed by waste management companies only, not wider portfolio investments; (5) Based on (i) typical UK domestic consumption values of 2,900KWh per annum respectively (source: Ofgem), (ii) annual Irish household electricity consumption of 4,200KWh (source: Commission for Regulation of Utilities), (iii) annual U.S. household electricity consumption of 10,715KWh (source: U.S. Energy Information Administration, Oct-21), and (iv) annual Australian household electricity consumption of 5,240KWh per annum (source: Australian Energy Regulator, Nov-21), as applicable; (6) Results of 2020 PRI assessment as 2021 results have not yet been released (expected in H1 2022).





# SUSTAINABLE DEVELOPMENT GOALS

## DEBT PORTFOLIO – CONTRIBUTION<sup>1</sup>

<b>3</b> GOOD HEALTH AND WELL-BEING 	<ul style="list-style-type: none"><li>• Financing hospitals to provide essential health services to the public</li><li>• Investing into highways to improve traffic lights, street lighting, public crossings and signage to help reduce road traffic injuries</li></ul>	<b>11</b> SUSTAINABLE CITIES AND COMMUNITIES 	<ul style="list-style-type: none"><li>• Investing in housing associations which provide safe, affordable and quality housing for all</li><li>• Metro rail financing providing fast and low carbon public transport across a major European city</li></ul>
<b>7</b> AFFORDABLE AND CLEAN ENERGY 	<ul style="list-style-type: none"><li>• Investing into renewable energy provides significant emissions savings with multiple investments across the UK, US and Australia</li><li>• Providing access to reliable and lower carbon energy via natural gas infrastructure, helping facilitate the transition to renewables</li></ul>	<b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION 	<ul style="list-style-type: none"><li>• Delivering responsible waste management services through numerous projects with incentives to promote recycling and diversion from landfill</li><li>• Extensive borrower engagement to promote the integration of sustainability information into reporting cycles</li></ul>
<b>8</b> DECENT WORK AND ECONOMIC GROWTH 	<ul style="list-style-type: none"><li>• Engaging with all borrowers pre and post investment to ensure they maintain appropriate health and safety policies and procedures and that they report regularly on their performance</li></ul>	<b>13</b> CLIMATE ACTION 	<ul style="list-style-type: none"><li>• Contributing to lower total greenhouse gas emissions per year through multiple projects, including low carbon transport, energy generation and telecoms networks (fibre, towers)</li><li>• Assessing investments' exposure to climate change risk under a TCFD-informed framework</li></ul>
<b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE 	<ul style="list-style-type: none"><li>• Helping contribute to the goal of reliable, stable and resilient infrastructure via all debt investments</li><li>• Financing of major international research facility accommodation for plant, animal and biosecurity research</li></ul>	<b>17</b> PARTNERSHIPS FOR THE GOALS 	<ul style="list-style-type: none"><li>• Increasing internet coverage in remote locations as well as improving connectivity between major cities through investments in fibre and telecom towers</li><li>• Financing of multiple public-private partnerships enabling investment in schools, hospitals, research facilities, transport and waste management</li></ul>



Image: GB Railfreight.

Note: (1) Sustainable Development Goals contributed to by Vantage Infrastructure's debt managed investments.



# VANTAGE INFRASTRUCTURE'S ESG APPROACH

## ESG STRATEGY

Based on insights from proprietary data collected from its experience of investing in more than 120 infrastructure assets and industry practice reviews, Vantage Infrastructure has formulated a **common ESG strategy across its debt and equity investment businesses**.

Our **mission** to turn the ESG 'SHOULD' into a 'MUST' is at the heart of this strategy. We have defined the **policy, strategic framework, integration approach** and **toolkits** to help design tailored **action programmes** and drive positive outcomes for all our stakeholders, from our investors to the customers, employees, local communities and supply chain of our portfolio companies.

Our ESG strategy is not set in stone. We strive to identify innovative areas and we adopt a deliberate mindset to drive **continuous improvement**. We aspire to deliver ESG practices and outcomes above market standard: 'what we do' and 'how we do' to set ourselves apart.



### MISSION

Our mission is to **turn the ESG 'SHOULD' into a 'MUST'**



### POLICY

Our **ESG and Sustainable Investment policy** outlines Vantage Infrastructure's **ESG fundamentals and commitments**, as well as the inclusion of ESG factors in our processes



### STRATEGIC FRAMEWORK

Our 360° ESG strategic framework sums up the pillars of Vantage Infrastructure's **ESG objectives** as a manager



### INTEGRATION APPROACH

Our active ESG integration approach reflects **'what we do'** to incorporate ESG throughout the entire investment lifecycle across debt and equity



### TOOLKITS

Our suite of tools, many of which developed in-house, outlines **how we assess, monitor and improve** ESG performance



### ACTIONS

We develop tailored, company specific action programmes to **drive positive impacts for all stakeholders**



### REPORTING

We seek ESG disclosures from portfolio companies and **report ESG performance and actions**



## ESG AND SUSTAINABLE INVESTMENT POLICY

Vantage Infrastructure's ESG strategy builds upon the firm's six non-negotiable ESG fundamentals (see right hand side) and the 6 principals of the UN PRI, of which we are signatory.

Our policy also draws on the UN SDGs, the UN Global Compact, the Equator Principles, the EU Taxonomy, TCFD and other international standards.

In the performance of its investment management activities, the firm gives careful consideration to the ESG policies and principles adopted by its managed clients and funds.

Vantage Infrastructure strictly prohibits investing in companies in specific sectors or exhibiting certain undesirable characteristics as defined in its ESG policy.

- 1 We will always act ethically and honestly, and with integrity, professionalism and transparency
- 2 We will comply with applicable laws, regulation and permits
- 3 We will not invest in businesses we consider unethical, socially or environmentally irresponsible, while promoting biodiversity, resource efficiency and greenhouse gas emissions reduction
- 4 We will respect the best interests of stakeholders impacted by our investments
- 5 We will promote diversity by race, gender, sexual orientation, religion or age and will not tolerate discrimination
- 6 We will ensure employees, at firm and investments' levels, are treated fairly and with respect, and are provided with safe workplaces







# VANTAGE INFRASTRUCTURE'S ESG APPROACH



## 360° ESG STRATEGIC FRAMEWORK

With its ESG mission in mind, Vantage Infrastructure has developed its own firm-wide 360° ESG strategic framework. The framework sets out eight key areas of ESG activity (see wheel on the right).

The execution of each of these activities is guided by three main principles:

**1. It is common across our debt and equity investment businesses**

We share best practices and toolkits, run common training programmes and co-author thought leadership articles to promote ESG in our infrastructure community.

**2. It pervades the whole lifecycle of an investment, with a specific focus on asset management**

Our strategic framework centres on full lifecycle engagement, from initial screening to realising an investment, with a specific focus on active asset management.

**3. It is embraced at both manager and investments' level**

As with most of our portfolio companies, we have our own ESG leadership and governance arrangements, we report ESG impacts to our Board, and our investment team members attend ESG training and have ESG KPIs.



## ESG LEADERSHIP & ACCOUNTABILITY

Vantage Infrastructure believes that **promoting leadership and accountability** is essential to implement its policy effectively across its business and develop an internal **ESG and sustainability culture** at all levels of its organisation. While roles have been clearly defined across Vantage Infrastructure's governance bodies and senior leaders, **all investment professionals are ultimately responsible and held accountable** for ESG.

Vantage Infrastructure Board is responsible for overseeing the ESG strategy and connecting sustainability with corporate purpose. The Board approves the ESG policy and monitors its implementation.

The debt and equity Investment Committees review and challenge ESG assessments and their impact on investment decisions.



A Partner champions ESG and sustainable investment philosophy, policies and practices to ensure senior decision-making accountability.

Debt and equity representatives develop and continuously improve Vantage Infrastructure's ESG toolkits and processes and ensure consistent implementation across the business and at the investment level.

The entire investment teams are held responsible for identifying and managing ESG risks and opportunities for new or existing investments and reporting them to the relevant committee.



# INTEGRATING ESG INTO DECISION MAKING



Vantage Infrastructure has adopted an active ESG integration approach, which combines key features of integration and active ownership.

## INTEGRATION THROUGH THE INVESTMENT LIFECYCLE

Our investment objectives are rooted in our commitment to deploy and manage our investors' capital in a manner that integrates ESG considerations throughout our processes. We engage with each of our investors to understand their own ESG strategies and objectives, hence enabling us to tailor solutions in line with their specific ESG requirements.

Our ESG approach spans the entire lifecycle of an investment, from the initial evaluation of a transaction, through its execution, investment onboarding and asset management and finally in divestment considerations. At each step, ESG risks and opportunities are identified, assessed and managed in the same way other risks and opportunities are.

## ACTIVE OWNERSHIP

We believe ESG initiatives can be taken at all stages of the investment cycle, with the asset management phase being critical to protect and enhance value for our investors. We think both our equity and debt managers can make a difference through active engagement.

We collect, benchmark and report data and measurements through internal and external tools and seek to move from assessing an impact to making an impact.

### EQUITY

A range of levers can be used to drive performance, from the adoption of ESG policies and reporting at board level to ESG KPIs for management and the introduction of ESG frameworks.

In 2021, all our portfolio companies participated in the GRESB survey and received a 5-Star Rating.

We conducted in-depth reviews of the GRESB reports to help management teams tailor action programmes and drive further improvements.

### DEBT

The systematic identification of market trends, best practices and data collection across the portfolio informs our pre-investment discussions with issuers.

Engagement during asset management is also impactful. We see benefits from tracking the relationships between key project stakeholders. This can be as strong an indicator of future performance as financial ratios. Early identification of issues positions us well to lead constructive dialogue when required.

## REVIEW AND REPEAT

Our ESG approach is active, engaging, thorough, practical, tailored and consistently evolving. All aspects of our approach, in particular our processes, tools and action plans, are subject to regular review by our ESG working group, seeking to continuously improve and develop.

## ESG FRAMEWORK EXTERNAL REVIEW – PROGRESS MADE

### BACKGROUND

Following ERM's external review of Vantage Infrastructure's ESG Framework in 2020, the team has aimed to enhance its ESG practices.

No red flags were identified, only minor improvement points. The outcome highlighted the firm's (i) strong competitive position within its market segment, (ii) an alignment to good practices and (iii) strong senior management support.



### PROGRESS MADE

- Vantage Infrastructure's yearly ESG action plan mapped more explicitly to the firm's strategic objectives
- The role of our ESG champion, Valeria Rosati, and of the ESG Working Group has been formalised further in our materials and processes
- Vantage Infrastructure's due diligence and transition approaches for equity companies have been reviewed and tested, confirming their resilience and flexibility
- Further work, which has already started and is in progress, includes:
  - Formalising Vantage Infrastructure's ESG expectations of contractors during the screening, contracting and onboarding phases
  - TCFD reporting progress in line with initial plan, in a phased manner which reflects the climate risk materiality of each portfolio company. Quantitative analysis planned for 2022





# INTEGRATING ESG INTO DECISION MAKING

## ACTIVE ESG INTEGRATION

Our firm-wide active ESG Integration approach ensures the incorporation of ESG considerations in the investment process at both manager and investment levels. The right-hand side of the diagram below summarises the integration of ESG before, during and after acquisition, while the left-hand side shows our approach post-investment to active asset management of ESG, both at the portfolio companies' level and within Vantage Infrastructure as a manager.





# VANTAGE INFRASTRUCTURE'S ESG MATERIALITY ASSESSMENT

## ESG MATERIALITY MATRIX

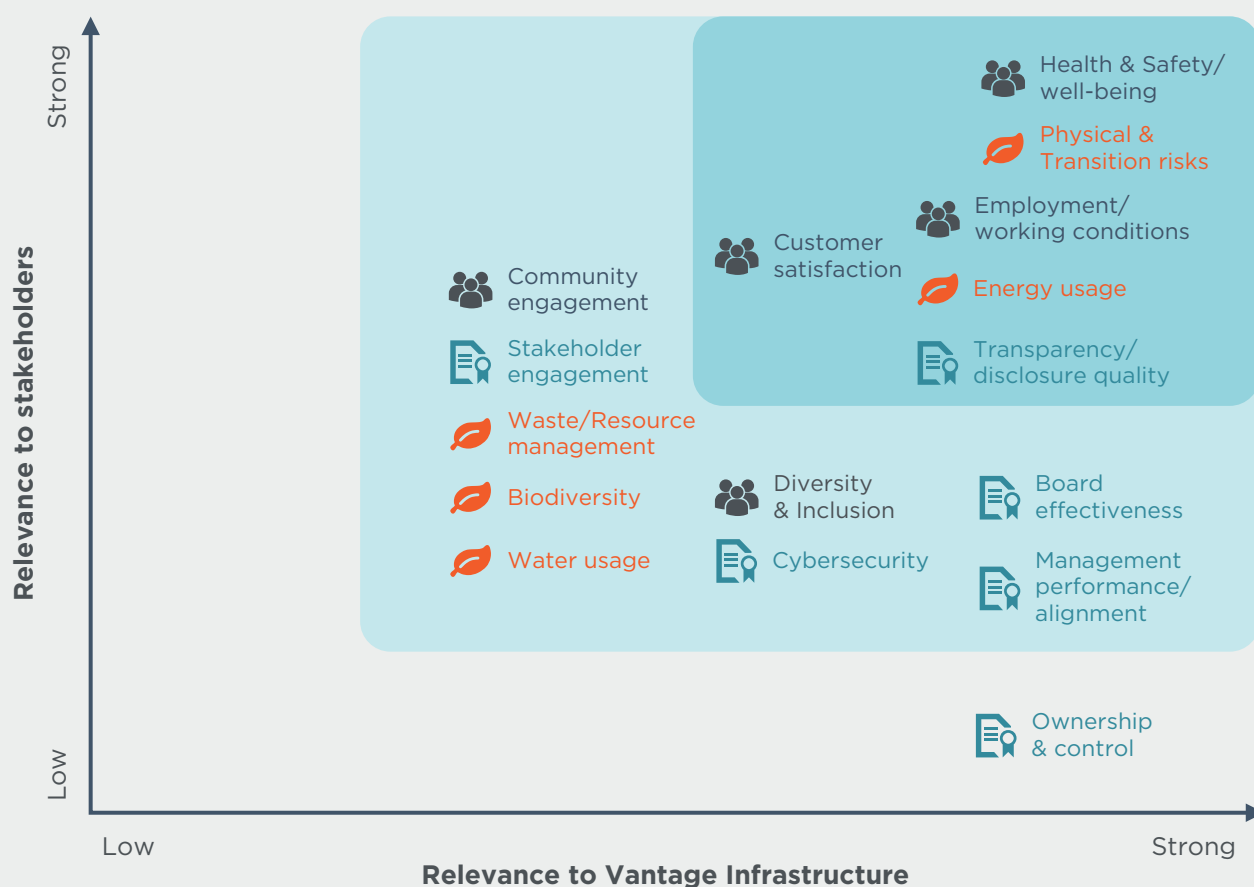
To support its Active ESG Integration approach, Vantage Infrastructure has developed proprietary risk assessment frameworks to consistently identify, evaluate and manage risks and opportunities throughout the investment life cycle of both equity and debt investments.

When performing those risk assessments, Vantage Infrastructure uses a list of non-exhaustive ESG factors which it typically considers as part of its screening, due diligence and asset management activities. The list draws from a range of industry standards and principles such as GRESB, TCFD, the Ten Principles of the UN Global Compact and the Equator Principles and Vantage Infrastructure's investment experience.

For each (existing or potential) equity investment, ESG factors are assessed from a materiality and risk to value perspective, which can vary depending on its location, sector, market, regulation, business model, stakeholders.

Based on the risk assessment of each portfolio company, continuous dialogue with its broader stakeholders and considerations on the key issues facing the infrastructure sector, Vantage Infrastructure has summarised the high level conclusions of our work in the ESG materiality matrix below.

This ESG materiality matrix ranks sustainability issues based on their relative relevance to Vantage Infrastructure's investments and its stakeholders. This categorisation helps ensure appropriate prioritisation is given to ESG factors based on their relative relevance and develop targeted initiatives to mitigate ESG risks, improve sustainability and drive value for our investors in the long-term.







# CLIMATE STRATEGY

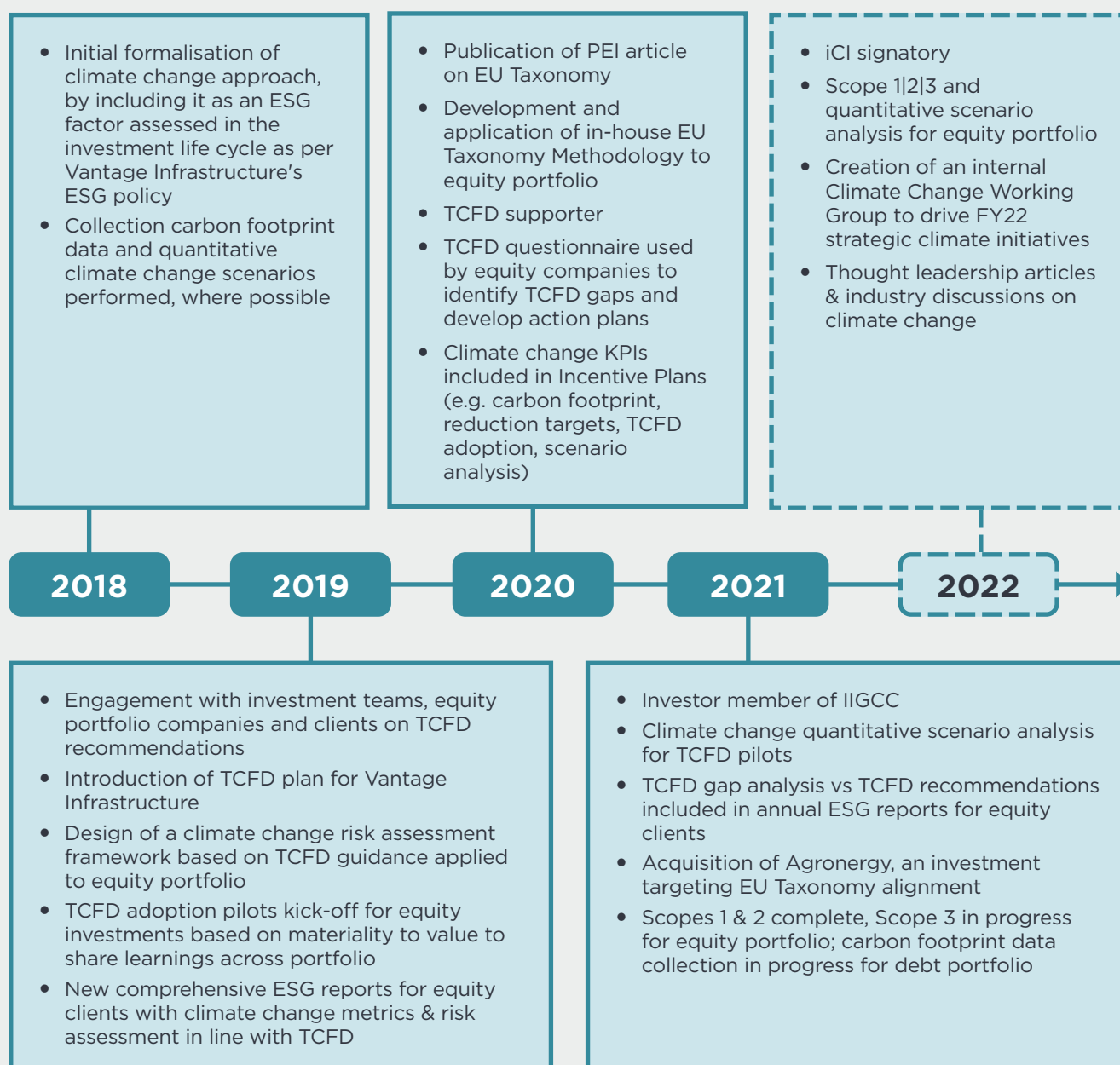
## ► VANTAGE INFRASTRUCTURE'S COMMITMENT TO CLIMATE

As stewards of our investors' capital, we have a responsibility to develop best-in-class integration of ESG considerations in our investment decisions. This includes risks and opportunities related to climate change. We believe that managing those and contributing to the decarbonisation of the economy is key to delivering resilient performance and sustainable investment returns.

Vantage Infrastructure's Climate Strategy, evolved and continuously refined over the past 5 years, rests on four key principles, with its climate change integration approach applied throughout the investment life cycle (see page 15).

While there is still a lot to do, the firm continues to work with its stakeholders to strengthen its approach to tackle the climate change challenge.

## ► CLIMATE CHANGE JOURNEY





# CLIMATE STRATEGY

## ► CLIMATE CHANGE MANAGEMENT PRINCIPLES

### RECOGNISE AND HELP ADDRESS THE CLIMATE CHANGE CHALLENGE



We recognise the adverse effects of climate change on the environment, the society and the economy globally and our responsibility to drive climate action

### EMBED CLIMATE-RELATED CONSIDERATIONS IN PROCESSES



Climate change factors must be integrated in governance, strategic planning & investment decisions, risk management and metrics & performance reporting at both manager and investment levels in line with TCFD guidance

### INCREASE VALUE RESILIENCE TO CLIMATE CHANGE



Climate change can provide both risks and opportunities to infrastructure portfolios, which can affect the value and risk profile of our existing and future investments. We must assess thoroughly climate change factors, develop plans to improve the resilience of our investments' values and performance and tailor investment strategies

### DRIVE CLIMATE ACTION



We seek to work with portfolio companies to elaborate carbon reduction plans, invest in companies contributing to the decarbonisation of the economy and collaborate with like-minded organisations to take meaningful steps towards reaching the Paris Agreement goal

## ► INVESTMENT INTEGRATION

1

### ENGAGE & MOTIVATE

- Establish robust governance processes to address climate change
- Assign clear climate change management and board responsibilities
- Build capabilities and develop training programmes on climate change
- Include climate change KPIs in incentive plans where appropriate (e.g. TCFD adoption, decarbonisation action, Taxonomy alignment)

2

### ASSESS & MONITOR

- Apply proprietary climate risk materiality assessment tool
- Perform scenario analysis in line with TCFD guidance
- Calculate EU Taxonomy alignment score
- Measure and benchmark energy/water/waste resource and carbon footprint across the equity portfolio and against peers

3

### DELIVER & REPORT

- Develop TCFD gap analysis and adoption improvement plans
- Set aligned targets, preferably assured, to reduce emissions and drive resource efficiency
- Define & drive climate change investment strategies and risk mitigations
- Report climate change metrics and progress against climate change strategic goals

4

### COMMUNICATE & LEAD

- Foster dialogue with board/management to drive climate change actions
- Promote transparency of climate change related disclosures
- Share climate change knowledge across portfolio companies and industry
- Promote climate action through industry collaborations





# CLIMATE STRATEGY – ASSESSING RISKS

## ▶ ADOPTING TCFD RECOMMENDATIONS



Since 2018, Vantage Infrastructure has actively sought to drive climate change (CC) resilience across its equity portfolio.

The TCFD journey started in 2019 by engaging with staff, portfolio companies and clients on TCFD recommendations and practical ways to implement them, and becoming a TCFD supporter in 2020. Today, Vantage Infrastructure continues to drive uptake of TCFD guidelines by providing incentives (e.g. setting targets such as CC risk assessments, gap analysis and scenario analysis in line with TCFD guidance) and/or guidance, including on more complex workstreams like CC scenario analysis.

### CLIMATE CHANGE RISK ASSESSMENT

- In 2019, the Equity team designed a climate-related risk assessment tool in line with TCFD guidance to analyse the risk materiality, risk-to-value and time horizon of physical/transition risks and opportunities
- The analysis is performed on potential and existing equity investments and presented to the Equity Investment Committee and clients as relevant. In 2021, the Debt team also started using the tool to assist its analysis and report to clients
- Assets identified as most exposed were selected to run targeted TCFD pilots, strengthening the learning experience for other companies as they progress on their action plans

### GAP ANALYSIS ON INTEGRATION OF TCFD PILLARS

- In 2020, a questionnaire covering each of the four TCFD pillars (Governance, Strategy, Risk Management and Metrics/Targets) was developed, helping identify companies' gaps
- Pilots were encouraged to carry out a formal gap analysis with the support of consultants, with the aim of closing any substantial ones over a 12-18 month period

### SCENARIO ANALYSIS AND DECISION MAKING

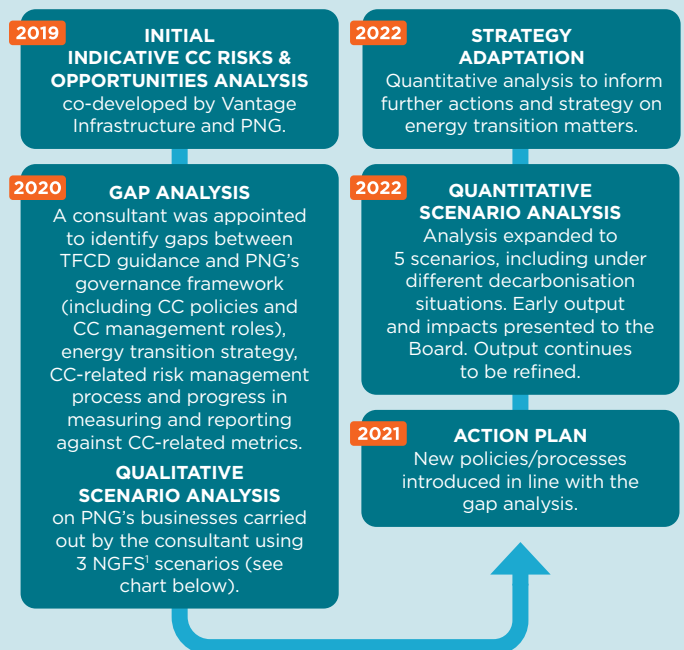
- Following the completion of qualitative scenario analyses, the Equity team is now working with companies to run quantitative analyses
- The outcome, alongside carbon footprinting, will inform long-term strategies to ensure assets strive for resilience in a net-zero world

### TRANSPARENT DISCLOSURES

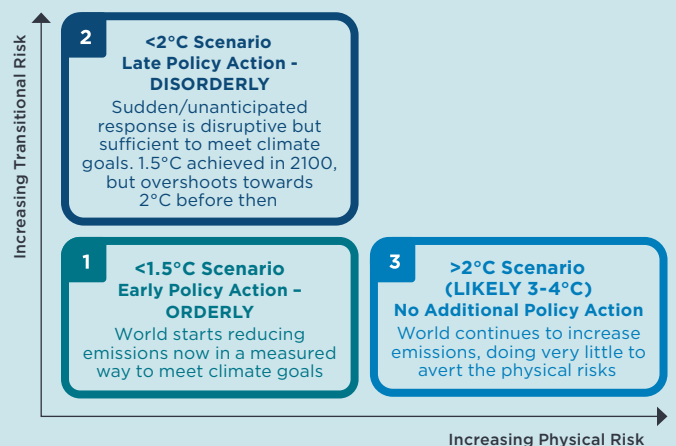
- As a TCFD supporter, Vantage Infrastructure promotes more transparency around climate-related information, by better incorporating climate change risks & opportunities in risk management and strategic planning processes
- The Equity team monitors portfolio companies' disclosures, encouraging them to close identified gaps

## THE TCFD JOURNEY: PHOENIX NATURAL GAS

- Phoenix Natural Gas (PNG) is the largest gas distribution operator in Northern Ireland with 3,900+ km of pipelines in Greater Belfast and surrounding regions
- PNG has been reducing Greater Belfast's carbon emissions since 1996, through the conversion of oil heating systems to less polluting natural gas; 770,000+ tonnes of CO<sub>2</sub> are saved annually, equivalent to over 350,000 cars off the roads
- With a relatively nascent plastic pipe network, PNG's infrastructure has the potential to distribute cleaner gases like hydrogen and biogas, and its role in the energy transition has become a key workstream and value driver in recent years
- Given both the material climate change-related risks faced by PNG as a distributor of fossil fuels, and the opportunities to provide a solution to the decarbonisation of heat in Greater Belfast, PNG was selected as a pilot to fully implement the TCFD recommendations



### NGFS' classification of scenarios



Note: (1) NGFS stands for Network for Greening the Financial System.



# CLIMATE STRATEGY – DRIVING DECARBONISATION

## ► EMBEDDING DECARBONISATION ACROSS THE FIRM AND ITS PORTFOLIOS

As an asset manager specialised in infrastructure, we believe we have a meaningful role to play in supporting the achievement of the goals of the Paris Agreement. Our belief is value driven: a low carbon, climate resilient world reduces risks for our investments. As per our active climate change integration approach, Vantage Infrastructure seeks to:

- Support, collaborate with and/or follow guidance from organisations promoting the decarbonisation of the economy such as PRI, TCFD, IIGCC and iCI
- Provide training to our investment teams, and, where appropriate, to our portfolio companies' staff, on climate change concepts, tools and methodologies
- Actively engage with portfolio companies at board and management levels on the impact of climate change on their businesses and vice versa
- Encourage, support and where appropriate incentivise portfolio companies to calculate, monitor, report and reduce GHG emissions

### ESTIMATING CARBON EMISSIONS

- For equity investments, GHG emissions are externally calculated and/or verified in line with the GHG Protocol and reported to clients annually. The Equity team reported Scopes 1 and 2 in 2021, with Scope 3 expected in 2022. Carbon footprint is also estimated pre-acquisition where possible
- The Debt team collated emissions data from its portfolio companies in 2021 and, where unavailable, estimated the Scopes 1 and 2 data using industry comparables for client reporting

### SUPPORTING DECARBONISATION ACTIONS

- Most equity portfolio companies have carbon reduction targets. Some have already developed net-zero plans. For instance, South East Water (SEW) is committed to achieving net-zero by 2030 (see case study)
- Performance against targets are monitored, value impact is assessed and support is provided to deliver those plans
- The firm's Climate Change Working Group is currently formulating its net-zero execution approach

### SOURCING LOW CARBON INVESTMENTS

- Vantage Infrastructure has long considered carbon emissions when sourcing new investments through carbon positive companies (i.e. renewable energy producers) or companies contributing to the energy transition (i.e. natural gas distributors)
- More recently, Vantage Infrastructure's equity investment strategy has specifically been driven by the long-term decarbonisation of the economy. For instance, Agronergy, acquired in 2021, has a strong EU Taxonomy alignment potential

#### PORTFOLIO METRICS<sup>1</sup>

##### EQUITY

**37Ktonnes**  
CO<sub>2</sub> SCOPE 1 & 2  
EMITTED



##### DEBT

**290Ktonnes**  
CO<sub>2</sub> SCOPE 1 & 2  
EMITTED per US\$m  
invested



**1,504Ktonnes**  
CO<sub>2</sub> AVOIDED &  
ABATED equivalent  
to **+718,000** cars off  
the road

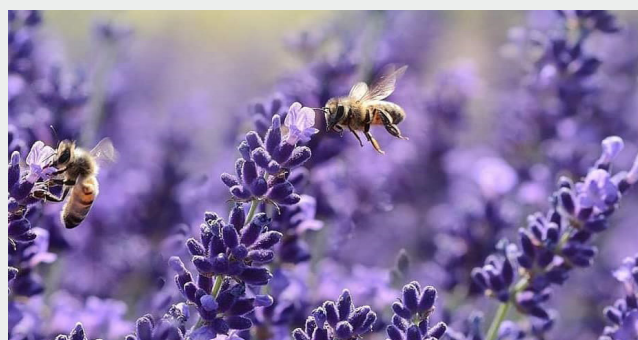


**760Ktonnes**  
CO<sub>2</sub> ABATED  
equivalent to  
**+375,000** cars off  
the road



#### NET-ZERO PLAN (SOUTH EAST WATER)

- SEW distributes drinking water to 2.2m customers in Kent, Sussex, Surrey, Hampshire and Berkshire
- The Company, which has been reporting GHG emissions for over 10 years and reducing them by 38% in 2020-25, published its plan to achieve net-zero by 2030 in 2021
- The decarbonisation plan includes switching to commercial green Power Purchase Agreements, implementing energy efficiency measures and installing solar generators onsite
- The Company's efforts are steered towards meeting net-zero with minimal carbon offsetting measures
- The net-zero pathway is also expected to reduce energy costs, SEW's second largest operating expenditure
- Vantage Infrastructure has been involved in the strategic process of setting the Company's targets and assessing various decarbonisation options
- In April 2021, the Company secured a renewable energy guarantee of origin, which means that all purchased energy is now carbon zero
- Vantage Infrastructure is working closely with the Company on installations of solar PV on SEW sites



Note: (1) Latest available full financial year reported and pro-rated for ownership stakes of respective investments.





# TRANSLATING STRATEGY INTO ACTIONS

## ► CREATING VALUE IN EQUITY INVESTMENTS

Vantage Infrastructure creates value through its active asset management processes and strategies, by improving business profitability, driving growth outcomes, optimising capital structure and maximising exit opportunities. Those systematically encapsulate sustainability-related considerations. Practically, active ESG integration initiatives across our equity portfolio include:

- Establishing ESG accountability at all senior levels and including ESG KPIs in Incentive Plans
- Integrating ESG considerations within the company's strategy, risk register, systems and processes
- Setting robust governance, monitoring and reporting processes, with stretching, yet achievable, ESG targets to analyse ESG risks and opportunities and track performance
- Promoting ESG best practices (ESG policies, processes, reporting, training)
- Tailoring ambitious ESG action plans to generate sustainable outcomes

### VALUE CREATION AT ENTRY (AGRONERGY)

- Acquired in Sep-21, Agronergy (AGN) is a French provider of turnkey renewable heating solutions, designing, building, operating and maintaining biomass and geothermal installations for public and residential buildings, and district heating networks
- One of AGN's investment attractiveness is its high EU Taxonomy alignment potential, given its role in the energy transition and in the decarbonisation of the heating network

During acquisition, Vantage Infrastructure, alongside its ESG adviser, ERM, conducted thorough ESG due diligence applying its proprietary tools and processes, focusing on:

- Assessing E[S]G factors and existing processes to identify any red flags and gaps vs. ESG best practices
- Designing an ESG action plan to enhance the company's ESG credentials, thanks to the recruitment of a CFO and QHSE Manager to reinforce H&S, HR, training and reporting processes
- Applying its proprietary EU Taxonomy Methodology to confirm AGN's potential contribution to Climate Change Mitigation, with the design of a 3-year detailed roadmap
- Including ESG KPIs in the Management Incentive Plan to ensure alignment with senior executives
- This preliminary work was a stepping stone in (i) confirming the ESG and EU Taxonomy potential and (ii) shaping the ESG action plan to implement

### VALUE CREATION AT EXIT (PORTERBROOK)

- Porterbrook (PBK) is a leading UK rolling stock leasing company with c.4,000 vehicles
- PBK was sold in Nov-21 through a competitive auction after a seven year hold period
- As an active asset manager, Vantage Infrastructure has supported a number of ESG initiatives, contributing to PBK's resilience, sustainability and attractiveness

Vantage Infrastructure provided board oversight and input on a number of ESG initiatives

#### Environmental

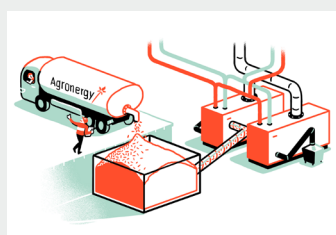
- Successful demonstration of HydroFLEX, the UK's first hydrogen train, at COP26 in 2021
- Impressive GRESB score improvement (see below)

#### Social

- Introduction of customer surveys, materially improving PBK's net promoter score
- Obtention of the Investor in People Gold accreditation for employees' management and development

#### Governance

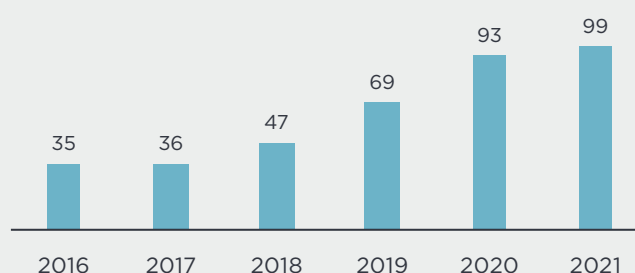
- Ensuring management team's continuity, with the hiring of a new CEO, CFO and Board Chairman
- Improvement of ESG monitoring and disclosure (e.g. dedicated ESG staff, ESG Risk Register set-up, TCFD analysis, Sustainability Report publication)



**Zero**  
ESG red flags  
**ESG KPIs**  
in place  
**EU Taxonomy**  
alignment  
within 3 years



### GRESB score progression (out of 100)





# TRANSLATING STRATEGY INTO ACTIONS

## ► EQUITY INVESTMENTS ADAPTING TO COVID-19

Vantage Infrastructure's adaptative culture was key to the firm's rapid transition to a remote working environment during the COVID-19 pandemic. Employees remained fully connected to portfolio companies, the firm's clients and each other seamlessly. Thanks to the technology infrastructure that the firm had in place, video conferencing, screen sharing, and chat replaced face-to-face interaction, while maintaining a high engagement across the firm. The firm's London office, which re-opened in May 2021, had in place extensive safety measures including mandatory COVID-19 testing, active management of office capacity and free protective masks.

Given the positive results of flexible work practices during the pandemic, Vantage Infrastructure consulted employees and adopted a flexible working policy whereby personnel can work remotely two days a week.

The Equity team worked closely with portfolio companies, not only to assess the financial and operational impact of the pandemic, but also to strengthen health & safety measures and support all stakeholders (e.g. communities, vulnerable customers).

### EFFECTIVE COVID-19 RESPONSE TO STAKEHOLDERS (SOUTH EAST WATER)

- As a direct employer of c.1,000 FTE, SEW places workforce management, H&S and well being on top of its priorities
- COVID-19 represented a significant shift in the way the Company was operating, with more than 600 office-based workers having to work from home within three weeks of the first lockdown in March 2020. Operational workers had to develop new ways of working to keep themselves and customers safe while minimising business disruption
- The Company's focus on keeping employee's physical health, resulted in a minimal number of COVID-19 cases contracted at work and low absenteeism during the pandemic. The UK's Health and Safety Executive, which visited SEW's headquarters in Kent, provided positive feedback on the safe work environment, with no suggestions for improvement
- Understanding how employees felt during the challenging COVID-19 times was also treated as a priority. SEW ran six employee surveys during the pandemic and trained 14 additional mental health aiders (increasing the team to 30), who provided support and guidance to staff requiring assistance. Additionally, a Well-Being Hub created on SEW's intranet held key information on a weekly basis
- As the sanitary situation is normalising, SEW's Talent Programme Group initiated an 'Agile Working' project to build on the opportunities that the pandemic brought to the business and to develop a suite of recommendations on post-pandemic flexible working arrangements suitable for different types of roles within the business (flex, fixed, fluid) in a way which improves employee satisfaction, well-being, retention, attracting new and more diverse talent and considering employee feedback, market practices and business needs



### Strengthened safety measures and mental health support to employees

- ✓ COVID-safe plans with social distancing for SEW key workers' interaction with customers and community members
- ✓ Generalised home working for office-based staff, rolling out remote working software and hardware
- ✓ Introduction of new working practices for field and laboratory staff
- ✓ Creation of SEW's Well-Being Hub for updates on COVID-19 measures, H&S and well-being advice
- ✓ Workforce adaptation to safety measures and controlled return to work in line with UK government guidelines

### Increased affordability and vulnerability support to customers

- ✓ Suspension of debt recovery activity (1<sup>st</sup> lockdown), payment terms extension, alternative payment methods
- ✓ Increased promotion of special services to vulnerable customers (Social tariffs, Priority Services Register)
- ✓ Continuous high services delivery and increased communication to customers

### Enhanced employee engagement with a focus on flexible working

- ✓ Employment security provided to SEW workforce with no staff furloughed
- ✓ Creation of an Agile Working team making recommendations on post pandemic flexible work arrangements
- ✓ 89% of employees' engagement (SEW's 2021 Employee Survey)

### Effective supply chain management ensuring no business disruption

- ✓ Effective coordination with contractors ensuring service continuity to avoid supply chain disruption
- ✓ Consultation with partners to anticipate and address supply issues affecting operations to ensure appropriate stock





# TRANSLATING STRATEGY INTO ACTIONS

## ► DEBT INVESTMENT DECISIONS

Vantage Infrastructure's Debt ESG investment strategy reflects our position as a sustainable investment firm. This means that our investments are made in expectation of a transition to a net-zero world and are robust to this. We nevertheless recognise that there are different pathways to net-zero and that the geographies in which we are active have made varying degrees of progress along these pathways. Our investment decisions are therefore taken with net-zero in mind, with analysis undertaken relative to local market and global developments, as applicable. In this way we aim to responsibly combine sustainable solutions with the best risk adjusted return outcomes.

Across the infrastructure debt universe, it is possible to construct a portfolio with considerable sectoral diversity whilst maintaining sustainable ESG credentials. The opportunity set extends much broader than renewable energy, encompassing transport, utilities, and digital infrastructure, amongst others. This diversification has been one of several factors which has helped the asset class's resilience through the COVID-19 crisis.

In the section below, we highlight recent investment decisions that have been informed by our sustainability strategy.

### DECISION TO INVEST

In late 2021, Vantage Infrastructure assessed an Italian utility company which provides water and waste management services in the Veneto region.

Like all water utilities, the company is exposed to climate change due to the potential for more frequent or extreme weather events such as droughts and flooding. However, the company's operations in the Venice lagoon, which has historically been prone to flooding, placed extra focus on this risk, which also had the potential to disrupt its waste collection business.

We assessed the situation carefully to understand the impact of new protective infrastructure installed by the city and the impact historically on the company of prior flooding events. These combined, gave us sufficient comfort to invest.

Furthermore, we considered the ESG profile largely positive given strong regulatory performance, the high sorted waste collection rate and low consumer tariffs.

Other ESG-positive transactions we have invested in over the last year include:

- an energy-efficient, low carbon public transport system in Barcelona, the presence of which reduces the use of private transport, helping to ease city congestion and lower emissions
- a pan-European provider of long haul and metro network fibre infrastructure which included sustainability KPIs in the loan documentation targeting 98% renewable energy procurement by 2023
- a Norwegian district energy business providing very low carbon heating and cooling services



### DECLINED INVESTMENTS

Vantage Infrastructure was approached to finance the acquisition of a CHP portfolio in the USA. We were initially attracted to the transaction as the sponsor, an established and reputable firm, marketed itself as an energy efficiency and clean energy specialist.

The CHP plants were pitched as improving the emissions profile of the steel manufacturing plants they supplied as they recovered and recycled waste heat from the steel process into electricity and steam generation.

These plants led to material emissions savings compared to the coal fired generation that they replaced. Nevertheless, the entire portfolio and process remained unavoidably carbon intensive and also had retained a direct linkage to the processing and burning of coal to support the steel making process.

As a result, despite the short debt tenor, we found the transaction hard to support in the context of an ultimate transition to net-zero, even whilst acknowledging the difficulties the steel manufacturing industry will face in achieving this.





# TRANSLATING STRATEGY INTO ACTIONS

## ► DEBT INVESTMENT DECISIONS

In addition to careful asset selection, Vantage Infrastructure's Debt ESG investment strategy promotes active engagement with borrowers before and after investment. We recognise that debt investors' greatest influence is generally pre-investment, and utilise this period not just to fully understand the credit and ESG profile of a transaction, but also to negotiate appropriate reporting transparency, increasingly related to ESG data and sustainability-linked KPIs.

Whilst during 2020, our post-investment engagement focused predominantly on COVID-19 related matters, in 2021 this focus turned to climate and ESG transparency. Our commitment as a TCFD supporter, the forthcoming requirements of the EU's SFDR and our investors' increasing expectations for ESG reporting have combined to make access to reliable ESG data increasingly important. In addition to working with our portfolio companies to encourage the provision of this data, Vantage Infrastructure has also collaborated with peers through our ESG networks and associations to promote and standardise ESG data requests across the infrastructure debt industry.

As highlighted below, we consider the results of this engagement to have been positive. For many infrastructure debt borrowers there is still a long way to go to implement the systems needed to meet the demanding new expectations of the industry. However, by engaging early, and attempting to standardise requests, we believe we can achieve the best outcome. Following this intense phase of engagement, we are now working to prepare detailed ESG reporting for our investors.



### PRE-INVESTMENT

Transportation is increasingly the largest source of carbon emissions in modern economies. Shifting freight from the road to the rail network can contribute materially to a decrease in overall emissions. This change requires little new technology, has safety and other benefits to local communities and can utilise existing physical infrastructure. Therefore rail freight represents low hanging fruit on the path to net-zero. Further emissions benefits will be realised as locomotive fleets are able to utilise electric propulsion which requires significant investment.

In 2021 Vantage Infrastructure provided financing of GB Railfreight which will benefit from these trends and contribute to these decarbonation outcomes.

The ability for the company to execute its decarbonisation strategy will be a key success factor for the business in the long-term. Recognising this, Vantage Infrastructure engaged with the company and its majority shareholder to agree environmental reporting obligations prior to investment. The information provided will allow us to track the companies progress against its decarbonisation strategy together with its overall emissions and carbon intensity.

### POST-INVESTMENT

Vantage Infrastructure financed its first social housing transaction in 2021, lending to a housing association focused on the provision of social and affordable housing in southeast England.

The proceeds of the loan are being used to finance the construction of new homes. In addition to this clear social benefit, the debt was structured to comply with Green Loan Principles, meaning that all the homes financed need to meet a minimum energy efficiency rating.

Despite the willingness of the association to improve the energy efficiency of its housing stock, it became clear after financial close that many of the metrics we sought to monitor this and other ESG data points were not collected and reported on. Our asset management team worked with the borrower to explain our requirements as an infrastructure investor and how these could be met in the future.

Concurrently, the borrower was working on a carbon baseline report, which has since been completed. In conjunction with our engagement requests, we are now receiving appropriate information and the company has a basis from which to consider its ESG and emission targets for the future.







Our industry has viewed ESG as a mere formality for far too long. At Vantage Infrastructure, we embrace ESG as an indivisible component of value generation, which contributes to a more responsible financial ecosystem and ultimately a more sustainable world.



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